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The Chairman
NZ Productivity Commission
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**INTERNATIONAL FREIGHT
TRANSPORT SERVICES**

DRAFT REPORT

Submission

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Introduction

PrimePort appreciates that we have had the opportunity to submit and consult with the Commission in respect to the Draft report released in Jan 2012.

The purpose of this submission is to reinforce key points, without repeating all views expressed. However we stand by comments made in our originally submission (Aug 2011) and remain convinced that the greatest productivity gains for international freight services NZ can be made by further scrutiny of the freight transport within NZ.

We support many conclusions reached by the Commission and appreciate that it has brought an independent perspective to the questions raised.

Freight Transport and Planning. (Section 9)

The Commission has recognized that most submitters have championed a need for investment coordination and freight transport planning in NZ. However we judge that insufficient weight has been given to make this a key recommendation.

The potential productivity gains by optimal investment or conversely the cost if not managed correctly will be the single biggest factor to shape NZ freight transport.

Status quo is certainly not optimal, when it comes to planning.

Planning that occurs now is in silos where each mode invests independently or in competition. (Current planning is limited to roading within Government and to a lesser extent rail – “project turnaround”). There is limited engagement to consider private sector investment, port development, coastal options, the social factors or best use of funds to govern NZ prosperity. The impact of Governments subsidy of rail has been noted but warrants greater debate.

At the same time current strategies are reducing resilience. In a country that is prone to natural disaster, and the practical constraints of being too long with difficult terrain, resilience should be an important factor in any planning, but it is not recognized by a purely market led approach. This is certainly the current trend with dependencies increasing across the whole logistics chain – less options and a concentration of investment in fewer locations, especially if the drive to fewer container Ports plays out. (As a separate issue it will inevitably follow that the cost for exporters will increase as they become “captured” by very limited choice). A planning forum across the whole transport sector will at least expose these issues.

These concerns will be amplified by growth. (doubling in only 20 to 30 years ?)

How should these issues be resolved:

- (i) The true cost of each transport mode needs to be evaluated and established in a consistent and open context. (true cost means evaluating and counting all the components including land value etc). A longer term model should also be assessed to ensure costs and assumptions will remain valid.

- (ii) We endorse recommendation R9.1, but we consider this recommendation should go further whereby critical investment plans need to demonstrate a full and independent review of all options, not just a cost benefit relating to the specific proposal. (we are not certain for example that all options have been properly scrutinised in comparison to Clifford Bay).
- (iii) Is there balance in current strategies?
- For example do we understand who should be the ultimate benefactor. (current strategy favours the top 5 exporters but most NZ business is small to medium).
 - Current strategy is to concentrate future investment in Metropolitan areas at the expense of Regions which incidentally is where most exports are generated. Should we also ask whether a wider social balance for all NZ be part of the equation?
 - A stock take should be made on existing infrastructure within NZ before contemplating new investment. Do we understand what we have? Have we “sweated” the existing assets? Are there alternative transport options that better utilize existing assets?
 - Do we factor market perceptions for carbon efficiency? Do we understand the force of social balance particularly in urban areas? (Infrastructure growth in the last 50 years is unlikely be replicated in today’s world, irrespective of the commercial drivers)
- (iv) Where is the long term provision for resilience? Critical for NZ but not an outcome driven by current market models. (In fact current strategy is creating greater risk brought about by increased dependencies)
- (v) **Creating a future pathway:** - It is recommended that in the Final Report, the commission elevates the need for a forum to develop freight strategy in NZ. This should be a key outcome.

The conundrum is to find an output which avoids direct Government control, which no one wants vs relying on the current market led model which we suggest is failing best outcomes for NZ. A simple middle ground is unrealistic. Our recommendation is the Commission should advocate an expanded initiative that parallels the NZTA upper North Island symposium last year with a brief that takes a full NZ approach. The private sector and Government must both participate as owners of key transport elements. The goal should be to create a common pathway but allow details to evolve.

le We agree with finding F9.6 but it needs to be promoted and expanded as a key recommendation.

Governance of Ports

We note a number of recommendations relate to changing governance of Ports. We are not convinced that “faults” if they exist are so readily attributable to ownership or governance. Good and bad will be found in both private and public sector. Some of the most successful

Ports have full council ownership and council representation on Boards. Our Port (PrimePort Timaru) is an example where many of the governance recommendations have already been adopted, but this does not resolve real market challenges.

We find the Commission's push towards both private ownership and public disclosure as conflicting.

We comment, as any small business that we would resent further compliance or reporting.

We would be below the scale of operation to support public listing. (Furthermore the company is not undercapitalised – it has low debt levels)

RMA

We can only endorse the recommendations by the Commission.

In phase II of the Government amendments we would encourage an improved “drafting gate” system where routine and/or proposals where all affected parties agree, can progress without a need to adopt the full planning process.

Labour Laws

PrimePort is an example where very flexible work practices have been adopted. We suggest this has been achieved by trust and commitment of employees to the business.

However we support recommendations by the commission to improve current labour law which we agree can impede rather than foster constructive and direct relationship between employees and management.

Coastal

We note and support the Commissions view that international shipping should be allowed to continue the practice of moving coastal freight by international ship.

We pose for debate that the mandate to limit “International” schedules on the NZ coast to 28 days be relaxed, albeit with a caveat that it be balanced by a requirement to train a small proportion of NZ based staff. This would open up far greater potential for operating a coastal service and create a pool for the practical development of marine staff in NZ. The productive advantages of expanding coastal container services we hope are obvious.



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